

**Indicator 58. Extent to Which Economic Framework (Economic Policies and Measures) Supports the Conservation and Sustainable Management of Forests Through Investment and Taxation Policies and a Regulatory Environment That Recognizes the Long-Term Nature of Investments and Permits the Flow of Capital in and out of the Forest Sector in Response to Market Signals, Nonmarket Economic Valuations, and Public Policy Decisions in Order To Meet Long-Term Demands for Forest Products and Services**

**What Is the Indicator and Why Is It Important?**

The sustainability of forests and the many benefits they are capable of providing requires high levels of sustained investment in their management and protection. It is only through such investment conditions that a full range of products, values, and services provided by forests can be assured. If investment capital is lacking in the forest sector, sustainable management and expected economic, ecological, and social benefits may not transpire. Similarly, if investment capital is prevented from leaving the forest sector, inefficiencies can occur and over-exploitation of forests is a possibility. These conditions of investment are driven by a number of economy-wide factors, most notably product or service prices, forest land productivity, and discount rates as affected by risk.

**What Does the Indicator Show?**

Forest landowners in the United States have a long history of making long-term investments in forest land through reforestation and various silvicultural practices. Tax policies and fiscal incentive programs can influence the extent to which the Nation's private landowners invest in the management of their forests and maintain the land in a forested condition. These include income taxes, estate taxes, and property taxes implemented at the local, State, and Federal levels.

The Federal tax code contains a number of provisions that affect private landowners in the course of

managing their forest land, including the reforestation amortization and investment credit, the capital gains treatment of timber, treatment of management expenses, and estate tax provisions. The Federal Government also levies an estate tax, which can impose significant burdens on the heirs of highly valued forest lands. In conjunction with tax policy, the Federal Government maintains a number of agencies and programs involved in reducing or offsetting large, initial investments in management and related activities considered necessary to protect, improve, and sustain forest resources.

State governments have also established significant legal and institutional capacity involving tax and fiscal incentives important to forest sustainability. State tax programs targeting private forest landowners for purposes of encouraging forest sustainability are generally of three major types of tax programs: income, estate, and property. All but 7 States were found to impose income taxes, whereas 29 States imposed an estate or inheritance tax. Property taxes, though generally a local source of revenue, are most often governed at the State level. Every State was found to have at least one property tax program or classification that gives preferential treatment to forest land. Many States have also developed cost share programs and other fiscal incentives to aid private landowners in sustainable management. These programs are often complementary to Federal fiscal incentive programs.